Safe & Sound
Financial Statements

Year Ended December 31, 2018
(with Summarized Information for the
Year Ended December 31, 2017)

Safe & Sound

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(with Summarized Information for the Year Ended December 31, 2017)

Safe & Sound

Contents

BDO

Tel: 415-397-7900
Fax: 415-397-2161
www.bdo.com

One Bush Street, Suite 1800
San Francisco, CA 94104

Independent Auditor's Report

To the Board of Directors
Safe & Sound
San Francisco, California

We have audited the accompanying financial statements of Safe & Sound, a California non-profit benefit corporation, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe & Sound as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Safe & Sound's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

August 23, 2019

Financial Statements

Safe & Sound

Statement of Financial Position

December 31, 2018 (with Comparative Totals for 2017)

December 31,		**2018**		2017
Assets				
Cash and cash equivalents	**$**	**4,154,036**	$	3,333,494
Investments		**765,801**		766,149
Government contracts receivable		**1,411,415**		1,302,055
Pledges and grants receivable, net		**676,505**		762,945
Prepaid expenses and other assets		**528,177**		566,874
Property and equipment, net (Note 5)		**6,396,314**		6,583,042
Total Assets	**$**	**13,932,248**	$	13,314,559
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**457,456**	$	301,261
Accrued vacation		**189,953**		170,117
Deferred revenue		**134,555**		105,355
Other liabilities		**38,267**		29,459
Total Liabilities		**820,231**		606,192
Net Assets				
Without donor restrictions		**11,346,649**		11,183,530
With donor restrictions (Note 6)		**1,765,368**		1,524,837
Total Net Assets		**13,112,017**		12,708,367
Total Liabilities and Net Assets	**$**	**13,932,248**	$	13,314,559

See accompanying notes to financial statements.

Safe & Sound

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018
(with Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Support & Revenue				
Government grants	$ 3,464,118	$ -	$ 3,464,118	$ 2,450,856
Foundation and corporate grants	444,223	961,370	1,405,593	1,752,801
Fundraising events, net of direct donor benefits of $175,074 in 2018 and $111,655 in 2017	1,013,633	42,968	1,056,601	642,889
Donations	575,037	424,817	999,854	623,062
Rental income	561,544	-	561,544	559,374
In-kind revenue	357,331	-	357,331	321,911
Program service fees	109,568	-	109,568	71,630
Investment Income	3,603	-	3,603	17,951
Other income	58,024	799	58,823	11,290
Net assets released from restriction:				
Satisfaction of donor requirements	1,189,423	(1,189,423)	-	-
Total Support & Revenue	7,776,504	240,531	8,017,035	6,451,764
Functional Expenses				
Program services	6,155,404	-	6,155,404	5,059,873
Management and general	670,118	-	670,118	614,143
Fundraising	787,863	-	787,863	735,756
Total Functional Expenses	7,613,385	-	7,613,385	6,409,772
Change in Net Assets	163,119	240,531	403,650	41,992
Net Assets, beginning of year	11,183,530	1,524,837	12,708,367	12,666,375
Net Assets, end of year	**$ 11,346,649**	**$ 1,765,368**	**$ 13,112,017**	**$ 12,708,367**

See accompanying notes to financial statements.

Safe & Sound

Statement of Functional Expenses
For the Year Ended December 31, 2018 (with Comparative Totals for 2017)

	Program Services				Supporting Activities			
	Children & Family Services	Community Education	Strategic Partnerships	Total Program Services	Management and General	Fundraising	2018 Total	2017 Total
Salaries and Stipends	$ 1,890,310	$ 305,788	$ 853,150	$ 3,049,248	$ 443,554	$ 418,898	$ 3,911,700	$ 3,457,112
Payroll Taxes and Benefits	363,319	56,626	138,941	558,886	70,369	70,671	699,926	637,825
Subcontractors	89,178	-	842,172	931,350	-	-	931,350	488,001
Consultants	82,906	69,248	203,078	355,232	28,661	154,702	538,595	375,965
Utilities and Maintenance	44,276	12,677	223,547	280,500	10,961	11,659	303,120	276,792
Legal	142,265	20,305	66,383	228,953	29,107	26,469	284,529	215,014
Office Supplies, Postage, Printing, and Copying	27,027	4,126	15,126	46,279	7,190	27,362	80,831	112,291
Insurance	21,297	3,497	48,648	73,442	3,519	3,671	80,632	79,613
Client Support	85,599	-	-	85,599	-	-	85,599	76,227
Recruitment and Professional Development	13,989	1,725	6,315	22,029	3,045	2,365	27,439	72,085
Program Supplies	31,042	3,875	34,025	68,942	-	-	68,942	60,982
Travel, Conferences, and Meetings	5,805	2,801	36,695	45,301	653	2,107	48,061	59,959
Dues & Subscriptions	29,286	2,539	30,829	62,654	5,774	15,291	83,719	55,473
Bay Park Owners Association Dues	-	2,835	51,736	54,571	-	-	54,571	54,570
Audit and Tax	-	-	-	-	39,850	-	39,850	44,465
Telephone & Communications	17,974	3,945	12,810	34,729	3,858	4,738	43,325	37,077
Staff Appreciation	17,836	2,673	7,128	27,637	3,512	3,182	34,331	33,510
Bank Charges and Interest Expense	4,117	87	243	4,447	214	21,847	26,508	24,114
Accounting and Payroll	12,469	2,026	5,157	19,652	2,984	2,687	25,323	22,478
Expendable Equipment	3,398	1,720	19,046	24,164	570	608	25,342	11,436
Space Rental	8,560	341	241	9,142	-	-	9,142	8,602
Board Expenses	-	-	-	-	2,671	-	2,671	4,382
Bad Debt Expense	-	-	-	-	-	6,483	6,483	2,102
Equipment Rental & Repair	539	-	-	539	126	133	798	1,354
Depreciation	56,011	32,827	83,270	172,108	13,500	14,990	200,598	198,343
Total Functional Expenses	$ 2,947,203	$ 529,661	$ 2,678,540	$ 6,155,404	$ 670,118	$ 787,863	$ 7,613,385	$ 6,409,772

See accompanying notes to financial statements.

Safe & Sound

Statement of Cash Flows

For the Year Ended December 31, 2018
(with Comparative Totals for 2017)

For the Years Ended December 31,	**2018**	2017
Cash Flows from Operating Activities		
Change in net assets	**$ 403,650**	$ 41,992
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Loss on write-off of property and equipment	**-**	1,137
Depreciation expense	**200,598**	198,343
Provision for (recoveries of) doubtful accounts	**6,483**	(43,448)
Provision for Medi-Cal reimbursements	**-**	12,130
Net realized and change in unrealized (gain) loss on investments	**17,661**	(3,771)
Changes in assets and liabilities:		
Government contracts, pledges, and grants receivable	**(29,403)**	(247,854)
Prepaid expenses and other assets	**38,697**	(93,452)
Accounts payable and accrued expenses	**156,195**	84,640
Accrued vacation	**19,836**	32,617
Deferred revenue	**29,200**	74,057
Other liabilities	**8,808**	(3,479)
Net Cash Provided by Operating Activities	**851,725**	52,912
Cash Flows from Investing Activities		
Purchase of investments	**(17,313)**	(16,614)
Purchase of fixed assets	**(13,870)**	(48,969)
Net Cash Used in Investing Activities	**(31,183)**	(65,583)
Increase (Decrease) in Cash and Cash Equivalents	**820,542**	(12,671)
Cash and Cash Equivalents, beginning of year	**3,333,494**	3,346,165
Cash and Cash Equivalents, end of year	**$ 4,154,036**	$ 3,333,494
Supplemental Non-Cash Disclosures:		
Capitalized in-kind legal costs	**$ 16,089**	$ -

See accompanying notes to financial statements.

1. Organization

Nature of Activities

Safe & Sound is a nonprofit organization established in 1973 whose mission is to prevent child abuse and reduce its devastating impact. Exempt from income taxes under Internal Revenue Code Section 501(c)(3) and section 23701(d) of the California Revenue and Taxation Code, Safe & Sound is governed by a 21-member Board of Directors. Safe & Sound supports vulnerable children and their families, educates children and adults in the community about child safety, collaborates to ensure that the systems and social safety net protect children and effectively respond to instances of abuse, and advocates for children and their safety, and works to build a movement of people who do too. Detailed information is available at safeandsound.org.

Our programs include:

Children & Family Services

We provide holistic, strength-based services to families with children in our community. By using our evidence-informed approach, we help families build upon their strengths to increase their protective factors: parental resilience, social connections, concrete support in times of need, knowledge of parenting and child development, and social and emotional competence of children. We provide one-on-one support to 750+ families; parenting education, support groups, skills workshops and community events; 24/7 telephone counseling; and Integrated Family Services (IFS)-care coordination and intensive support to families with increased risk for abuse. Over 90% of highly vulnerable families enrolled in IFS for at least 12 months demonstrate improvements in protective factors shown to correlate with low rates of abuse.

Community Education

We teach classes and workshops as well as develop curriculum on child safety and security. Our safety lessons reach 6,500+ children and our safety education trainings reach 2,000+ adults, including parents and child-serving professionals, to ensure abuse is reported. Over 90% of teachers report that our classes give their students tools to keep themselves safe and over 90% of adults say that they are more likely to take action if they suspect abuse.

Strategic Partnerships

We collaborate with government agencies and community organizations throughout the Bay Area to provide support and services to children and their parents or caregivers. These collaborations bolster our ability to prevent child abuse, unearth cases of abuse, and respond to those cases. As backbone agency for the trauma-informed, multidisciplinary Children’s Advocacy Center of San Francisco (CAC), we coordinate trauma-informed care that includes forensic interviews, multidisciplinary support, and referrals of eligible clients who need follow-up care to appropriate mental health services, to help with the process of healing.

Funding and Revenue Concentration

Safe & Sound receives approximately 44% of its unrestricted income from government grants primarily awarded by various departments within the City & County of San Francisco. Should these grantors reduce their level of support, Safe & Sound could be required to reduce the level of activity of some of its programs.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of Safe & Sound are prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of Safe & Sound and changes therein are classified and reported as follows:

- **Net assets without donor restrictions**, which includes resources not subject to donor-imposed restrictions.

- **Net assets with donor restrictions**, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of Safe & Sound and/or the passage of time and includes resources subject to donor-imposed restrictions that require permanent investment by Safe & Sound.

Revenue Recognition and Accounting for Restricted Support

Contracts, grants, and contributions are recognized at fair value as revenue when received or unconditionally promised and collection is deemed to be reasonably certain.

Safe & Sound reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets are released from restriction.

Safe & Sound reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, Safe & Sound reports expirations of donor restrictions when the donated or acquired assets are placed in service.

In-kind revenue is recognized at its fair value if the services require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. If there are any other services or goods donated to Safe & Sound, which Safe & Sound would have otherwise purchased, then it will be valued and recorded at the fair market value. For the year ended December 31, 2018, $357,331 was recorded as in-kind revenue.

Safe & Sound recognizes conditional contracts, grants or contributions when the conditions are met. Safe & Sound recognizes program revenues and rental income when earned. Rental income is recorded on a straight-line basis over the lease terms.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates made by Safe & Sound include useful lives of property and equipment, valuation of pledges receivable and in-kind revenues and the allocation of functional expenses.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with Safe & Sound's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at date of acquisition, including money market accounts.

Investments

Investments in marketable securities are recorded on their trade date and are stated at fair value in the statements of financial position. Realized and unrealized gains and losses, interest, and dividends are included in the statement of activities and changes in net assets in investment income.

Government Contracts Receivable

Government contracts receivable include amounts billed and unbilled under various governmental contracts for program services performed during the year. Management periodically reviews the collectability of government contracts receivable and provides a provision at the time it is determined that they are uncollectable.

Pledges and Grants Receivable

Pledges and grants receivable include amounts committed by donors but which have not yet been received by Safe & Sound. Pledges and grants receivable are measured at fair value upon receipt. If a pledge or grant is not expected to be collected within one year, it is discounted to its estimated fair value using a present value technique. The fair value of a pledge that is collectable within one year is recognized at its net realizable value. Management periodically reviews the collectability of pledges and grants receivable and provides a provision at the time it is determined that they are uncollectable.

Unconditional pledges and grants receivable are due as follows:

December 31,		**2018**		2017
Less than one year	**$**	**643,274**	$	697,730
1 – 5 years		**50,000**		75,000
Pledges and grants receivable		**693,274**		772,730
Less: discount on long-term pledges and grants		**(2,454)**		(1,953)
Less: reserve for uncollectable pledges and grants		**(14,315)**		(7,832)
Pledges and grants receivable, net	**$**	**676,505**	$	762,945

The amounts presented above have been discounted to present value using a discount rate of 2.63% and 1.76% in 2018 and 2017, respectively.

Property and Equipment

Property and equipment are reported at cost if purchased, or at fair value at the date of gift if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 30 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Long-Lived Assets

Long-lived assets, such as land, building and other property, are reviewed at least annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, Safe & Sound first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Safe & Sound determines fair value of long-lived assets held and used by reference to independent appraisals, quoted market prices (e.g. an offer to purchase) and other factors. There were no impairment charges recorded in the periods presented.

Fair Value Measurements

Safe & Sound considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based on their own market assumptions. Safe & Sound utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

- **Level 1** - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- **Level 2** - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the fair value hierarchy for the financial assets held by Safe & Sound measured at fair value on a recurring basis as of December 31, 2018 and 2017:

As of December 31, 2018	**Level 1**	**Level 2**	**Level 3**
Assets:			
Cash Equivalents (Money Market)	**$ 189,300**	**$ -**	**$ -**
Investments [(a)]	**576,501**	**-**	**-**
Total	**$ 765,801**	**$ -**	**$ -**

As of December 31, 2017	Level 1	Level 2	Level 3
Assets:			
Cash Equivalents (Money Market)	$ 189,111	$ -	$ -
Investments [(a)]	577,038	-	-
Total	$ 766,149	$ -	$ -

[(a)] Investments are in mutual funds whose underlying investments consist principally of intermediate and short-term bond funds and securities.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The carrying amounts of Safe & Sound's other financial instruments, which include accounts receivable, accounts payable and other accrued expenses, approximate their fair values due to their short-term maturities.

Functional Expenses

Safe & Sound allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect expenses are allocated based on the ratio of each function's salary expense to total salary expense, with the exception of certain Third Street building expenses (inclusive of utilities and maintenance, insurance, and Bay Park Owners Association dues), which are considered costs of the Strategic Partnerships function.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation. These reclassifications had no impact on previously reported change in net assets or operating cash flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB also issued ASU 2015-14, which deferred the effective date for Safe & Sound until its annual period beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for Safe & Sound's fiscal year beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for Safe & Sound's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management has adopted the new standard in the current year financial statements.

3. Tax Status

Safe & Sound is exempt from federal and California state income taxes under Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. Safe & Sound had no sources of unrelated business income during the years ended December 31, 2018 and 2017.

Safe & Sound follows the authoritative guidance for accounting for uncertainty in income taxes. Safe & Sound does not believe there are any material uncertain tax positions and; accordingly, has not recognized any liability for unrecognized tax benefits. Safe & Sound has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Safe & Sound has filed IRS Form 990 tax returns as required and all applicable returns in those jurisdictions where it is required. Safe & Sound believes that it is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2014. However, Safe & Sound is still open to examinations by tax authorities from fiscal year 2014 forward. For the year ended December 31, 2018, there were no penalties or interest recorded in the statements of activities.

4. Concentrations of Credit Risk

Financial instruments that potentially subject Safe & Sound to concentrations of credit risk consist of cash deposits with a commercial bank and a brokerage firm. Safe & Sound maintains its cash accounts with two commercial banks. The accounts at the commercial banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000 for FDIC insured accounts. As of December 31, 2018, Safe & Sound held $3,005,248 of cash in excess of insured amounts. The risk is managed by maintaining all deposits in high quality financial institutions.

5. Property and Equipment, Net

Property and equipment, net at December 31, 2018 and 2017 are as follows:

	2018	2017
Land	**$ 2,102,159**	$ 2,102,159
Building and building improvements	**5,220,716**	5,220,716
Furnishings and equipment	**151,993**	154,896
Intangibles	**5,000**	5,000
	7,479,868	7,482,771
Less: accumulated depreciation	**(1,083,554)**	(899,729)
Property and equipment, net	**$ 6,396,314**	$ 6,583,042

Depreciation expense for years ended December 31, 2018 and 2017 was $200,598 and $198,343, respectively.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions represent pledges and grants to Safe & Sound that have been restricted for a specific purpose or time period. Net assets with donor restrictions at December 31, 2018 and 2017 were as follows:

		2018		2017
Subject to expenditure for specified purpose:				
Children & Family Services	**$**	**723,045**	$	472,301
Community Education		**101,953**		112,953
Strategic Partnerships		**345,370**		242,300
Third Street Building Purchase and Operating Reserve		**350,000**		352,735
Other Specific Purposes		**20,000**		21,500
Subject to the passage of time:				
For periods after December 31, 2019		**215,000**		313,048
Endowments:				
Investment in Perpetuity		**10,000**		10,000
Total net assets with donor restrictions	**$**	**1,765,368**	$	1,524,837

Liquidity and Availability of Resources Disclosure

Safe & Sound's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

		Without Restrictions
Cash and Cash Equivalents	$	2,938,713
Investments		755,801
Government Contracts Receivable		1,411,415
Tenants Receivable		26,427
Contributions Receivable		91,414
Total	$	5,223,770

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Safe & Sound has a goal to maintain financial assets, which consist of cash, short-term investments, and current receivables on hand to meet six months of normal operating expenses, which are, on average, approximately $685,000 per month. Safe & Sound has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, Safe & Sound invests cash in various short-term investments in accordance with its Investment Policy.

7. Retirement Plan

Safe & Sound sponsors a 403(b) defined contribution retirement plan (the Plan) covering employees who have been employed by Safe & Sound for at least one year and who regularly work at least 20 hours per week. Employees may elect to make contributions to the Plan. Employer contributions made on behalf of eligible employees are discretionary. Safe & Sound contributed $45,510 and $38,183 to the Plan for the years ended December 31, 2018 and December 31, 2017, respectively.

8. Commitments and Contingencies

Leases

Safe & Sound leases out 3450 Third Street, Building 2, which it owns, to the following tenants: Sutter Health/California Pacific Medical Center, Center for Youth Wellness and the Human Services Agency of the City and County of San Francisco.

Safe & Sound's future minimum estimated rental income, as of December 31, 2018 are as follows:

Year Ending December 31,		Rental Income
2019	$	424,000
2020		435,000
2021		447,000
2022		459,000
2023		160,000
	$	1,925,000

9. Subsequent Events

Subsequent events have been evaluated through August 23, 2019, the date the financial statements were available to be issued.